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CORPORATION FILE

MANGEL STORES CORPORATION

Annual Report 1967

HIGHLIGHTS

INCOME DATA	1967	1966
Net Sales, Including Rental Income from Licensed Departments	$107,572,031	$ 99,214,954
Income before Federal Income Taxes	1,877,559	1,507,601
Federal Income Taxes — net	515,000	420,000
Net Income	1,362,559	1,087,601
Dividends Paid in Cash	308,176	75,492
Dividends Paid in Common Stock	377,927	205,716
Number of Stores and Leased Department Locations	156	157

BALANCE SHEET DATA		
Current Assets	$ 29,338,207	$ 27,816,655
Current Liabilities	14,433,599	11,712,443
Net Working Capital	14,904,608	16,104,212
Current Ratio	2.0	2.4
Accounts Receivable — net	$ 7,485,040	$ 7,024,533
Merchandise Inventories	18,618,763	16,384,279
Fixed Assets — net	13,137,850	11,534,258
Long-Term Debt	10,400,584	11,140,339
Shareholders' Equity	18,341,861	17,273,688

PER SHARE DATA		
Net Income	$ 1.70	$ 1.36*
Dividends Paid in Cash*	.385	.094
Dividends Paid in Common Stock	4%	2%
Book Value	$22.87	$21.57*

**Adjusted for stock dividends.*

TO OUR SHAREHOLDERS:

I am happy to report another year of successful operations that produced record sales and increased earnings.

For the first time in the Company's history, sales from company operated departments exceeded $100,000,000.

The program we initiated two years ago for the revitalization of existing stores and the promotion of charge accounts, coupled with aggressive sales promotion and the general raising of standards of merchandise, resources and store operations, all have contributed to the year's success.

We have continued a conservative policy with respect to the opening of new stores, insisting upon good locations and realistic rentals. Emphasis has been placed upon improving and enlarging existing profitable stores. During the fiscal year just ended, three new Shoppers Fair discount stores were opened, two were enlarged and remodeled, and four were completely refurbished. One unprofitable Shoppers Fair discount store and four conventional Mangel stores were closed. After the close of the fiscal year, on February 15, 1967 a new Shoppers Fair store was opened in Holland, Michigan.

The substantial pre-opening expenses incurred in connection with the new and remodeled stores were absorbed during this fiscal year.

SALES

Net sales from company-operated departments including rental income from licensed departments reached a record total of $107,572,031, an increase of $8,357,077 or 8.4% over the previous year when sales totaled $99,214,954. Total sales, including licensed department sales, also a record, were $126,410,221 as compared with $118,864,663 last year.

EARNINGS

Net income amounted to $1,362,559 or $1.70 per share compared with $1,087,601 or $1.36 per share last year, both based on the average number of shares outstanding or an increase of 25%. Depreciation and amortization of $1,316,115 added to the year's net income of $1,362,559 resulted in a cash flow of $2,678,674, or $3.34 per share compared with $2.93 per share last year.

FINANCIAL CONDITION

Our financial condition as shown by the Consolidated Balance Sheet on Pages 8 and 9 remains strong. The decrease in working capital resulted from the use of Company funds for the purchase of fixtures and other capital items for new and refurbished stores without resorting to long-term borrowing. The changes in working capital are accounted for as follows:

Additions to Working Capital:

Net income for the year	$1,362,559
Depreciation and amortization not requiring outlay of funds	1,316,115
Other — net	115,667
Total	2,794,341

Deductions from Working Capital:

Decrease in long-term debt — net	739,755
Cash dividends	308,176
Purchase of fixed assets — net	2,946,014
Total	3,993,945
Decrease in Working Capital	$1,199,604

DIVIDENDS

Four quarterly cash dividends of $.10 each were paid during the fiscal year, together with a 4% stock dividend. We intend to continue dividend payments as warranted by earnings and consistent with the requirements of the Company. This is evidenced by the payment of a cash dividend of 10¢ per share on March 15, 1967.

GENERAL

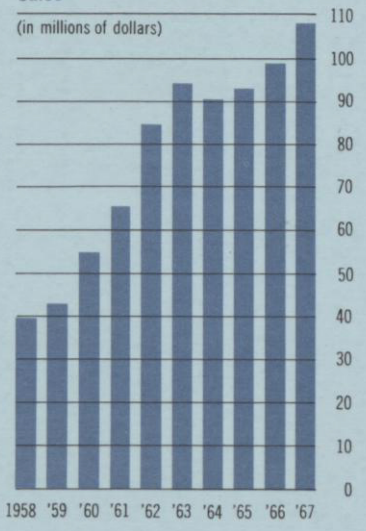
The support and cooperation shown by our employees, suppliers and shareholders are appreciated and we look forward to continued growth and profits for the current year.

May 1, 1967

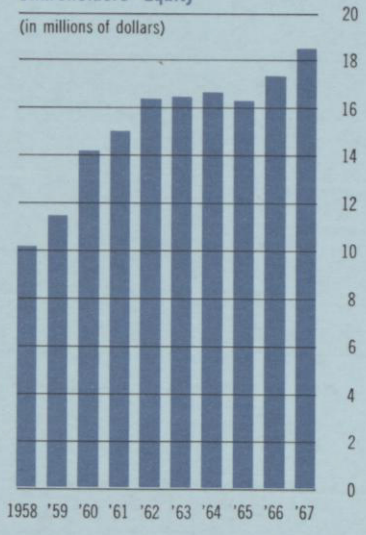
Jared L. Cohon

President

Sales



Shareholders' Equity



Lines form outside new Shopper's Fair awaiting Grand Opening.

The "New Look" of Shopper's Fair . . . exciting and bold concepts of merchandising display in beautiful settings!

BOYS WEAR
SHOES

BOOKS • RECORDS
PHOTO
SPORTING GOODS
STUDIO CARDS

TEN YEAR SUMMARY OF PROGRESS

FISCAL YEARS ENDED (APPROXIMATELY) JANUARY 31

INCOME DATA	**1967**	**1966**	**1965**
Net Sales, Including Rental Income from Licensed Departments	$107,572,031	$99,214,954	$92,995,050
Income before Federal Income Taxes	1,877,559	1,507,601	(2,547)
Federal Income Taxes — Net	515,000	420,000	261,000
Net Income	1,362,559	1,087,601	(263,547)
Special Items — Credit (Charge)**	....	....	160,280
Net Income and Special Items	1,362,559	1,087,601	(103,267)
Dividends Paid in Cash	308,176	75,492	217,883
Dividends Paid in Common Stock	377,927	205,716	360,607
Number of Stores and Leased Department Locations	156	157	164
BALANCE SHEET DATA			
Current Assets	$ 29,338,207	$27,816,655	$22,616,333
Current Liabilities	14,433,599	11,712,443	7,134,077
Net Working Capital	14,904,608	16,104,212	15,482,256
Current Ratio	2.0	2.4	3.1
Accounts Receivable — Net	$ 7,485,040	$ 7,024,533	$ 5,178,013
Merchandise Inventories	18,618,763	16,384,279	13,558,696
Fixed Assets — Net	13,137,850	11,534,258	11,740,621
Long-Term Debt	10,400,584	11,140,339	12,194,140
Shareholders' Equity	18,341,861	17,273,688	16,246,623
PER SHARE DATA*			
Net Income	$ 1.70	$ 1.36	($ .33)
Special Items — Credit (Charge)**	....	....	.20
Net Income and Special Items	1.70	1.36	(.13)
Dividends Paid in Cash	.385	.094	.272
Dividends Paid in Common Stock	4%	2%	4%
Book Value (on adjusted shares outstanding at the end of each respective year)	$22.87	$21.57	$20.29

**Based on average number of shares outstanding adjusted retroactively for stock dividends.*

***Special item for 1966 ($13,689) has been reclassified to Retained Earnings; no change has been made with respect to all other prior years.*

MANGEL STORES CORPORATION *AND SUBSIDIARIES*

1964	1963	1962	1961	1960	1959	1958
$90,240,174	$93,907,125	$84,664,098	$65,096,448	$54,334,304	$42,654,510	$39,529,035
1,718,661	1,463,767	2,314,523	2,237,379	2,570,353	1,797,366	1,719,033
717,000	577,030	837,908	833,000	977,000	655,000	670,000
1,001,661	886,737	1,476,615	1,404,379	1,593,353	1,142,366	1,049,033
....	....	127,587	....	....	....	(160,249)
1,001,661	886,737	1,604,202	1,404,379	1,593,353	1,142,366	888,784
871,590	870,992	850,830	822,906	754,836	610,485	581,638
....	....	....	....	....	....	....
164	167	162	132	126	125	123
$22,991,649	$21,496,514	$19,251,066	$14,596,020	$13,181,906	$11,908,692	$ 9,948,791
6,990,734	5,213,402	6,358,555	3,882,771	3,568,957	2,098,871	3,055,580
16,000,915	16,283,112	12,892,511	10,713,249	9,612,949	9,809,821	6,893,211
3.3	4.1	3.0	3.8	3.7	5.7	3.3
$ 4,735,326	$ 4,212,776	$ 2,793,528	$ 2,964,310	$ 3,277,502	$ 2,776,514	$ 2,796,598
15,858,721	13,101,138	11,384,452	7,393,154	5,799,507	5,169,587	3,969,138
12,026,100	12,323,977	11,288,156	10,174,228	8,652,340	7,947,776	7,759,988
12,967,054	13,684,635	8,944,040	6,827,390	4,982,675	6,961,301	5,259,649
16,577,101	16,445,736	16,389,968	14,930,984	14,020,446	11,357,859	10,078,219
$ 1.25	$ 1.11	$ 1.85	$ 1.86	$ 2.30	$ 2.04	$ 1.88
....	....	.16	....	....	....	(.29)
1.25	1.11	2.01	1.86	2.30	2.04	1.59
1.088	1.088	1.088	1.088	1.088	1.088	1.042
....	....	....	....	....	....	....
20.69	20.53	20.52	19.53	18.91	18.56	18.05

CONSOLIDATED BALANCE SHEET

AS AT JANUARY 28, 1967 - JANUARY 29, 1966

ASSETS	1967	1966
CURRENT ASSETS:		
Cash (including, in 1967, certificates of deposit)	$ 2,087,984	$ 2,641,964
Short-term investments — at cost, plus amortized discount	148,524	980,472
Accounts receivable — trade, less reserves for doubtful accounts and unearned service charges aggregating $449,550 and $520,553, respectively	7,485,040	7,024,533
Miscellaneous receivables	646,071	483,631
Merchandise inventory — at the lower of cost or market, based upon the retail method of inventory valuation	18,618,763	16,384,279
Prepaid expenses, taxes, etc.	351,825	301,776
TOTAL CURRENT ASSETS	29,338,207	27,816,655
OTHER ASSETS (including estimated refunds of Federal income taxes of $348,052 and $476,484, respectively)	648,647	758,229
FIXED ASSETS — at cost:		
Real estate, subject in part to mortgages — per contra:		
Land	1,325,475	1,325,475
Buildings — less reserve for depreciation of $1,320,251 and $1,166,080, respectively	3,302,670	3,210,402
	4,628,145	4,535,877
Furniture, fixtures, equipment and leasehold improvements, less reserves for depreciation and amortization aggregating $6,274,370 and $5,471,948, respectively	8,509,705	6,998,381
	13,137,850	11,534,258
DEFERRED CHARGES	186,812	187,994
GOODWILL	1	1
	$ 43,311,517	$ 40,297,137

The accompanying notes are an integral part of this statement.

MANGEL STORES CORPORATION *AND SUBSIDIARIES*

LIABILITIES	**1967**	**1966**
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 984,223	$ 982,993
Accounts payable — merchandise	9,900,463	7,653,726
Accounts payable — expenses, taxes, etc.	2,641,870	2,305,928
Customers' deposits and credits	204,456	125,101
Reserve for Federal income taxes — Note A	702,587	644,695
TOTAL CURRENT LIABILITIES	14,433,599	11,712,443
LONG-TERM DEBT, less current portion:		
5.80 % Note payable — insurance company — Note B	7,500,000	8,250,000
4 % to 6 % Mortgages payable in installments to 1984 (collateralized by real estate — per contra — and by certain leases)	2,900,584	2,890,339
	10,400,584	11,140,339
OTHER LIABILITIES	135,473	170,667
TOTAL LIABILITIES	24,969,656	23,023,449

SHAREHOLDERS' EQUITY — Notes B and C:

Common Stock — par value $1 per share:

	Shares			
	1967	**1966**		
Authorized	1,000,000	1,000,000		
Issued	819,058	786,946	819,058	786,946
Less: Treasury stock	16,927	16,927	16,927	16,927
Outstanding	802,131	770,019	802,131	770,019
Capital Surplus			4,772,066	4,412,461
Retained Earnings			12,767,664	12,091,208
			18,341,861	17,273,688
			$ 43,311,517	$ 40,297,137

MANGEL STORES CORPORATION *AND SUBSIDIARIES*

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR (52 WEEKS) ENDED JANUARY 28, 1967 - JANUARY 29, 1966

	1967	1966
Net sales, including rental income from licensed departments	$107,572,031	$ 99,214,954
Deduct:		
Cost of sales, including occupancy expenses	81,905,404	75,844,051
General, administrative and selling expenses, less service charges on customers accounts	22,090,416	20,098,112
Depreciation and amortization	1,316,115	1,244,531
	105,311,935	97,186,694
	2,260,096	2,028,260
Other deductions — net (including interest expense of $837,534 and $756,783, respectively)	382,537	520,659
Income before Federal income taxes	1,877,559	1,507,601
Federal income taxes — net — Note A	515,000	420,000
Net income ($1.70 and $1.36 per share, respectively)	1,362,559	1,087,601
Retained Earnings at the beginning of the year	12,091,208	11,271,126
	13,453,767	12,358,727
Add:		
Adjustments applicable to prior years based on examinations by Internal Revenue Service — net		13,689
	13,453,767	12,372,416
Deduct:		
Cash dividends	308,176	75,492
Stock dividend — Note C	377,927	205,716
	686,103	281,208
Retained Earnings at the end of the year — Notes B and C	$ 12,767,664	$ 12,091,208

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS *AS AT JANUARY 28, 1967*

The financial statements as at and for the year (52 weeks) ended January 29, 1966, with certain reclassifications, are shown for comparative purposes only. Reference should be made to the previously issued report for the Accountants' Report and notes pertaining to those financial statements.

NOTE A — *Federal Income Taxes:*

Federal income taxes — net ($515,000), included in the accompanying consolidated statement of income and retained earnings, are computed on an individual company basis after various deductions including inter-company bad debts and applied carryover and carryback losses.

The Company's subsidiaries have unused net operating loss carryovers and unused investment tax credits which expire at various dates during the next five fiscal years, the realization of which is not presently determinable.

Consolidated Retained Earnings include undistributed earnings of subsidiaries which may be subject to income taxes if and when distributed in the form of dividends.

The accompanying financial statements are subject to final determination of Federal, state and local taxes.

NOTE B — *5.80% Note Payable — Insurance Company:*

The 5.80% note is payable in annual installments of $750,000 through January 15, 1978. The note agreement requires, among other things, that the Company maintain consolidated working capital (as defined) of not less than $14,000,000 and restricts the payment of dividends (other than stock dividends) and the purchase of the Company's capital stock. As at January 28, 1967, under the earnings formula of the agreement, approximately $1,730,000 was free of these restrictions; however, because of the working capital requirements, only $550,000 of such amount could have been used for the aforementioned purposes.

NOTE C — *Shareholders' Equity:*

The 4% stock dividend and the issuance of a fractional share in connection therewith resulted in credits to Common Stock ($30,852) and Capital Surplus ($347,085).

The 1964 Qualified Stock Option Plan authorizes the granting of options for the purchase of 25,000 shares of the Company's Common Stock, at prices which are not less than fair market prices at dates of grant. Changes in the status of these options are summarized as follows:

Shares under option, beginning of year	17,980
Options granted	6,300
Options terminated	(1,720)
Options exercised	(1,260)
Shares under option, end of year	21,300
Shares available for option, end of year	2,320

Option prices range from $10.00 to $15.375. The Company issued 1260 shares of stock for options exercised which resulted in an increase of $12,520 in Capital Surplus.

NOTE D — *Contingencies and Other Comments:*

As at January 28, 1967, the minimum annual rentals on real property under leases then in force, exclusive of inter-company rentals, amounted to approximately $3,861,000, including approximately $31,000 applicable to four lessors in which certain officers and directors have interests. Approximate aggregate minimum annual rentals for leases terminating to January 31, 1976, from February 1, 1976 to January 31, 1986, and from February 1, 1986 to April 30, 2006, are $1,014,000, $2,138,000, and $709,000, respectively.

Certain lease agreements provide for additional rentals based upon sales or for payment of real estate taxes, insurance, etc.

Prepaid expenses previously shown as deferred charges have been classified as current assets in the accompanying consolidated balance sheet.

The Company is a defendant in a pending action brought by a licensee in certain of their stores claiming breach of the license agreement and seeking to recover a sum of approximately $4,300,000. In the opinion of counsel for the Company, the action is without merit and will not result in any materially adverse judgment.

MANGEL STORES CORPORATION

DIRECTORS

HERBERT J. DEITZ
ISRAEL A. DIAMOND
PHILLIP F. FRANKEL
SAUL C. GUZY
SANFORD S. JAFFE
MAURICE N. JAFFE
GEORGE M. JAFFIN
AL KLEIN
EMANUEL MANGEL
SOL MANGEL
JARED L. ROSENTHAL
MAX WEINREICH

OFFICERS

SOL MANGEL
Chairman of the Board

JARED L. ROSENTHAL
President

PHILLIP F. FRANKEL
Executive Vice-President

ISRAEL A. DIAMOND
Vice-President and Treasurer

SAUL C. GUZY
Vice-President and Assistant Secretary

AL KLEIN
Vice-President
Assistant Secretary and Controller

HARRY H. GROSS
Vice-President
Supervisor of Store Operations

GEORGE SCHWARTZ
Vice-President
General Merchandise Manager, Soft Lines

SANFORD S. JAFFE
Vice-President
Director of Polly Perrey Division

MAURICE N. JAFFE
Vice-President
Director of Polly Perrey Division

B. ROBERT ROSTHAL
Vice-President
Supervisor of Licensed Operations

MAURICE MANTEL
Vice-President
Director of Construction and Maintenance

DAVID M. DIAMOND
Vice-President

EMANUEL MANGEL
Assistant Treasurer and Assistant Secretary

MAX WEINREICH
Secretary

COUNSEL *Cole & Deitz, New York, N. Y.*

AUDITORS *S. D. Leidesdorf & Co., New York, N. Y.*

TRANSFER AGENT *Morgan Guaranty Trust Company of New York, 23 Wall Street, New York, N. Y. 10015*

REGISTRAR *Manufacturers Hanover Trust Company, 40 Wall Street, New York, N. Y. 10015*

ACCOUNTANTS' REPORT

To the Board of Directors
Mangel Stores Corporation
New York, N. Y.

We have examined the consolidated balance sheet of Mangel Stores Corporation and subsidiaries as at January 28, 1967, and the related consolidated statement of income and retained earnings for the year (52 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income and retained earnings, together with the notes to financial statements, present fairly the consolidated financial position of Mangel Stores Corporation and subsidiaries at January 28, 1967, and the consolidated results of their operations for the year (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y.
April 12, 1967

S. D. LEIDESDORF & CO.

156 STORE AND LEASED DEPARTMENT LOCATIONS

ALABAMA
Anniston
Birmingham
Decatur
Florence
Huntsville (2)
Mobile (2)
Montgomery
Prichard
Selma
Tuscaloosa

ARIZONA
Phoenix

ARKANSAS
Fort Smith
Hot Springs
Little Rock
Pine Bluff (2)

CONNECTICUT
Bridgeport
South Norwalk

DELAWARE
Wilmington

FLORIDA
Jacksonville
Key West
Miami (2)
Orlando
Panama City
Pensacola (3)
Pompano Beach
Tallahassee
Tampa

GEORGIA
Atlanta
Augusta
Columbus
Macon
Savannah
Thomasville
Valdosta

ILLINOIS
Danville
Kankakee
Quincy

INDIANA
Columbus
Evansville
Gary
Indianapolis (2)
Lafayette
Marion
Michigan City
South Bend

IOWA
Clinton
Des Moines

KENTUCKY
Paducah
Shively

LOUISIANA
Baton Rouge (3)
Crowley
Lafayette
New Iberia
New Orleans
Opelousas

MARYLAND
Randallstown
Salisbury

MASSACHUSETTS
Lawrence

MICHIGAN
Adrian
Battle Creek
Benton Harbor
Detroit (4)
Flint
Jackson
Lansing
Saginaw

MINNESOTA
St. Paul

MISSISSIPPI
Greenville
Jackson
Meridian
Natchez

MISSOURI
St. Louis (3)
Springfield

NEW JERSEY
Pennsauken
Shrewsbury

NEW MEXICO
Hobbs
Santa Fe

NEW YORK
Brooklyn
Catskill
Kingston
Middletown
Newburgh (2)
Peekskill (2)
Port Ewen
Rochester
Syracuse (2)
Wappinger Falls

NORTH CAROLINA
Asheville
Elizabeth City
Greensboro
Raleigh

OHIO
Akron
Canton (2)
Columbus
Dayton (2)
Lancaster
Zanesville

OKLAHOMA
Altus
Tulsa

PENNSYLVANIA
Altoona
Chester
Clifton Heights
Downington
Horsham
Johnstown
Philadelphia
Scranton

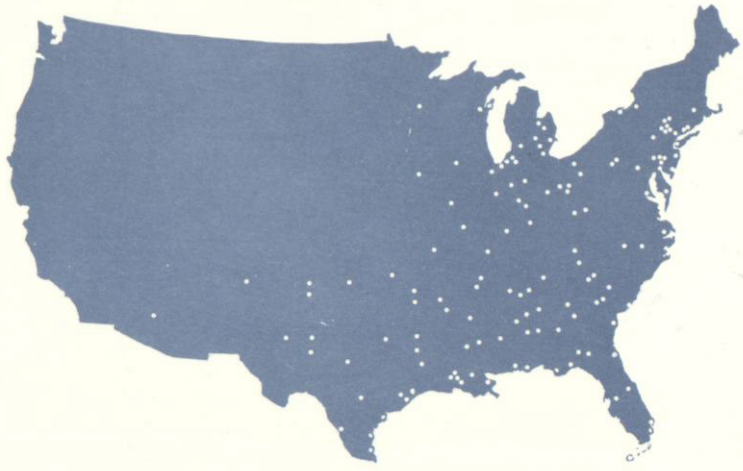
SOUTH CAROLINA
Aiken
Charleston
Columbia
Greenville
Spartanburg

TENNESSEE
Chattanooga
Jackson
Johnson City
Memphis

TEXAS
Amarillo
Baytown
Beaumont
Big Spring
Borger
Brownwood
Corpus Christi (2)
Dallas
Galveston
Harlingen
Houston (2)
McAllen
Midland
San Antonio
Texarkana

WEST VIRGINIA
Charleston
Huntington

WISCONSIN
Green Bay
Oshkosh



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